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HAROLD B. WILLEY, C

IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

No. 766

MILWAUKEE ELECTRIC TOOL CORPORATION,
a Wisconsin Corporation,
Petitioner,

v.

ALBERT S. JOHANN,
Respondent.

Petition for a Writ of Certiorari to the Supreme Court of the State of Wisconsin

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In The

Supreme Court of the United States

October Term, 1955

No.

Milwaukee Electric Tool Corporation,
a Wisconsin Corporation,
Petitioner,

v.

Albert S. Johann,
Respondent.

Petition for a Writ of Certiorari to the Supreme Court of the State of Wisconsin

---

To the Honorable Earl Warren, Chief Justice of the United States and the Associate Justices of the Supreme Court of the United States:

Your Petitioner, MILWAUKEE ELECTRIC TOOL CORPORATION, respectfully prays that a Writ of Certiorari issue to review the judgment of the Supreme Court of the State of Wisconsin, dated October 11, 1955, and which the court refused to modify after a motion for rehearing on December 6, 1955.

OPINIONS BELOW

The opinion of the Supreme Court of the State of Wisconsin is reported in 270 Wis. 573, 72 N.W. 2d 401. A previous and related opinion of the Supreme Court of the

State of Wisconsin in this case is reported in 264 Wis. 447, 59 N.W. 2d 637. Both of these opinions are set forth in full in the Appendix to this petition.

The opinion of the Trial Judge granting Respondent's motion for judgment on the verdict of the Jury is not reported, but is printed in Petitioner's Appendix filed in the court below, a copy of which has been filed in this Court as a part of the transcript of the record below. This opinion is also set forth in full at pages 44-49 of the Appendix to this petition.

STATEMENT OF JURISDICTIONAL GROUNDS

The opinion of the Supreme Court of the State of Wisconsin and its judgment affirming judgment in favor of Respondent below was made and entered on October 11, 1955. Petition for rehearing, timely filed, was denied December 6, 1955.

Upon application of Petitioner filed February 29, 1956, the Honorable Sherman Minton, Associate Justice of this Court, entered an order extending the time for the filing of a petition for writ of Certiorari in this case to and including March 15, 1956.

The nature of the case is stated below at pages 4-7 This Court has jurisdiction of the question presented under the provisions of Title 28 U.S.C. § 1257(3).

QUESTION PRESENTED

In an action for patent royalties, is an assignee of a patent estopped to deny that it manufactured and sold a tool embodying the assignor's invention, merely by reason of the erroneous or inadvertent affixing thereon of a label bearing the number of assignor's patent and the number of a patent of the assignee, in which assignor had no interest, where (a) it is conceded that the tool manufactured and sold did not embody the invention of the assignor; (b) none of the claims of the patent of the assignor read on the patent owned by the assignee and used in the manu-

facture and sale of the tool; (c) no tools embodying the invention of the assignor had ever been manufactured and sold by the assignee; (d) no royalties had ever been paid or claimed by assignor during the period of time covered by such multiple labeling; and (e) assignor's patent infringed upon a prior patent in which neither assignor nor assignee had an interest.

STATUTES INVOLVED

The general principal here involved is the extent of the protection of the monopoly accorded to inventors under the provisions of Title 35 of the United States Code. Indirectly involved are the provisions of Title 35, U.S.C. § 287 and § 292 covering marking, notice and false marking.

35 U.S.C. Sec. 287 reads as follows:

> "LIMITATION ON DAMAGES; MARKING AND NOTICE. Patentees, and persons making or selling any patented article for or under them, may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.," together with the number of the patent, or when, from the character of the article, this cannot be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice. July 19, 1952, c. 950, 1, 66 Stat. 813."

35 U.S.C. Sec. 292 reads as follows:

> "FALSE MARKING.
>
> (a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, or sold by him, the the name or any imitation of the name of the patentee, the patent number, or the words "patent," "pat-

entee," or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made or sold by or with the consent of the patentee; or

Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word "patent" or any word or number importing that the same is patented, for the purpose of deceiving the public; or

Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words "patent applied for," "patent pending," or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public—

Shall be fined not more than $500 for every such offense.

(b) Any person may sue for the penalty, in which event one-half shall go the person suing and the other to the use of the United States. July 19, 1952, c. 950, 1, 66 Stat. 814.

STATEMENT *

On May 27, 1949, Respondent commenced an action in the Circuit Court for Milwaukee County, Wisconsin, against Petitioner, to recover patent royalties under an oral agreement alleged to have been entered into in 1940. (App. 16, 18, 25, 28, 36.) The alleged oral agreement was, in all respects material to this proceeding, that set forth in a pro-

* References in the body of the Statement are to the Appendix submitted with this petition. Petitioner was unable to obtain a certified transcript of the record below, and has filed instead copies of the Appendices of the parties below, together with a copy of the proceedings, all duly certified by the Clerk of the Supreme Court of the State of Wisconsin. As it was impossible to obtain 9 copies of the Respondent's Appendix below, Petitioner has included such parts of the record so filed as are considered to be pertinent in the Appendix hereto. This case was previously before this Court on petition for a writ of Certiorari involving an earlier decision of the Supreme Court of Wisconsin, during the 1953 term. At that time the record was printed. To the extent that parts of that printed record are referred to herein, such parts have also been printed in the Appendix to this petition. The Appendix indicates the source of the material therein reproduced by reference to the transcript of record in the previous case or in this case.

posed written agreement which Respondent had refused to execute. (App. 13, 14, 19.) The alleged oral agreement would have required Petitioner to pay Respondent a royalty of $2.00 for every "Johann tool" manufacturer and sold by Petitioner. (App. 13, 14, 25, 28.)

In 1939 Respondent had invented a pneumatic hammer for straightening dents in automobile bodies. He assigned the invention, and the patent to be issued, to Petitioner. In October, 1941, the Patent Office issued patent No. 2,260,624 in the name of Respondent. (App. 24, 25, 36.) Petitioner made no payment to Respondent at the time of the assignment. (App. 25, 26.) The tool which Respondent invented was in anticipation of the tool invented by one Stull and infringed Stull patent No. 2,163,715. (App. 7, 17, 30, 31.)

In the early part of 1941, Beckwith, the engineer employed by Petitioner, and W. H. Lieber, Petitioner's patent attorney, invented a pneumatic hammer known as the Beckwith-Lieber tool. Respondent knew that his patent infringed the Stull patent, was informed of the invention of the Beckwith-Lieber tool and of the filing of a patent application therefore, and that the "Johann Tool" would not be manufactured. (App. 7, 26, 30, 31.) The United States Patent Office issued a patent for the Bechwith-Lieber tool on May 5, 1942. (App. 25.) Respondent's patent contained no claims which read on the Beckwith-Lieber tool. (App. 25, 26, 31.)

Petitioner commenced the manufacture and sale of the Beckwith-Lieber tool in the spring of 1941 and continued to manufacture and sell that tool until the shortage of metal during the war prevented further production. (App. 26, 33.) During this period Petitioner attached metal tags to the Beckwith-Lieber tool bearing the legend "Patent applied for." (App. 26, 27, 33.)

At the close of the war in 1945, Petitioner resumed the manufacture of the Beckwith-Lieber tool. Metal tags were affixed to these tools bearing the patent number of the Beckwith-Lieber patent and also the patent number of Re-

spondent's patent, which was erroneously or inadvertently included. (App. 17, 18, 27, 31, 33.) Commencing in 1945 Petitioner manufactured and sold more than 6,000 Beckwith-Lieber tools with such metal tags affixed bearing both patent numbers. In 1948 Petitioner's President learned that Respondent's patent number had been affixed to the Beckwith-Lieber tool and thereafter Respondent's patent number was no longer placed on the metal tags affixed to such tools. (App. 17, 25, 27.) No royalties were ever paid Respondent. (App. 10, 13.)

It was conceded in the original trial before the Circuit Court of Milwaukee County, before the Supreme Court of the State of Wisconsin and in the subsequent trial hereinafter referred to, that no pneumatic tools embodying Respondent's invention were ever manufactured and sold by Petitioner. (App. 22.) At the first trial, on Petitioner's motion, the Court directed a verdict for Petitioner on the question of the existence of the alleged oral patent royalty agreement and on the question of a claimed release. (App. 34, 35.) On appeal the Supreme Court of the State of Wisconsin reversed the judgment of the trial court with directions to grant a new trial on the issues of whether or not there had been an oral patent royalty agreement and whether or not a release given by Respondent in fact released all claims under the alleged oral patent royalty agreement. (App. 20, 22, 23.) In remanding with instructions to grant a new trial as aforesaid, the Supreme Court of the State of Wisconsin held that Petitioner was estopped to deny that it manufactured or sold any pneumatic tools embodying Respondent's invention, because of the affixing of the label bearing patent numbers of both the Respondent's and the Beckwith-Lieber patents to the Beckwith-Lieber tools manufactured by Petitioner. (App. 22, 23.) Because of doubt as to whether or not the decision of the Supreme Court of the State of Wisconsin was a final judgment, Petitioner sought Certiorari in this Court during the October 1953 term, contending that the judgment of the

Supreme Court of the State of Wisconsin was a final judgment for the purposes of petition for a writ of certiorari. This Court denied the petition. No. 512, October 1953 term, 347 U. S. 913, 74 S. Ct. 477, 98 L. Ed. 1069.

Prior to the second trial Petitioner attempted to amend its answer and to raise specifically the factual issues which it was contended made the doctrine of estoppel inapplicable. (App. 38-41.) Petitioner's motion was denied and the Court submitted the case to the Jury on a special verdict limited solely to the issues described in the remand of the Supreme Court of the State of Wisconsin. (App. 43, 44.) Petitioner moved for judgment notwithstanding verdict on the ground, *inter alia*, that notwithstanding the decision of the Supreme Court of the State of Wisconsin, it being conceded that Petitioner had not manufactured any tools embodying Respondent's invention, that it was not estopped to deny that fact. The Court denied Petitioner's motions and granted judgment for the Respondent. (App. 44-49.) On appeal to the Supreme Court of the State of Wisconsin, that Court reconsidered its former opinion and held again that the affixing of the patent number of both the Respondent's patent and the Beckwith-Lieber patent on the pneumatic tool manufactured by Petitioner was sufficient to give rise to the doctrine of estoppel. (App. 5, 6.) Accordingly, the judgment in favor of Respondent, under the terms of the oral contract found to exist by the Jury in the Court below, was affirmed.

REASONS RELIED UPON FOR GRANTING THE WRIT

1. The Supreme Court of the State of Wisconsin has decided a Federal question of substance not heretofore determined by this Court.

The decision of the Wisconsin Supreme Court in effect extends the marking provisions of 35 U.S.C. § 287 and 35 U.S.C. § 292, beyond the plain language and import thereof,

to provide that an assignee of patent by merely marking the patent with the number thereof together with one or more other patent numbers, in which the assignor has no interest, is estopped to deny that the device embodied the invention of the assignor.

The question thus presented is a Federal question which cannot be governed by state estoppel rules. *McGregor* v. *Westinghouse Electric & Manufacturing Company,* 329 U. S. 402, 67 S. Ct. 421, 91 L. Ed. 380; *Sola Electric Co.* v. *Jefferson Electric Co.,* 317 U. S. 173, 63 S. Ct. 172, 87 L. Ed. 165; *Scott Paper Co.* v. *Marcalus Mfg. Co.,* 326 U. S. 249, 66 S. Ct. 107, 90 L. Ed. 47.

The case of *Singer Manufacturing Co.* v. *June Manufacturing Co.,* 163 U. S. 169, 16 S. Ct. 1002, 41 L. Ed. 118, cited by the Wisconsin Supreme Court, does not support that Court's decision. That case is authority only for the proposition that upon the expiration of a patent, a party may manufacture and copy the article patented in the identical shape, form and appearance in which it was constructed during the existence of the patent, and that the only obligation on the copier is to avoid misleading the public into the belief that the article is manufactured by the prior patent owner. See *West Point Manufacturing Company* v. *Detroit Stamping Company,* 222 F. 2d 581.

The case of *Andrews* v. *Landers,* 72 F. 666 (D. C. Conn.) also relied upon by the Supreme Court of the State of Wisconsin is distinguishable on its facts. In that case, the assignor had a license to make certain patented articles, manufactured articles under that patent for a number of years and paid license fees under the license agreement for a number of years. The Court found that under those particular facts and circumstances that an estoppel applied as a matter of law stating: "I hold as a matter of law, that Defendant having stamped said faucets with the Andrews patent, and having accounted and paid for the same, is estopped to deny that they do not carry the patented improvement of Andrews."

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Other decisions on the subject follow the pattern of the Andrews case, supra. See *Harley C. Loney* v. *Perfect Equipment Corp.* (CCA-7), 178 F. 2d 165; *Kant-Skore Piston Co.* v. *Sinclair Mfg. Corp.* (CCA-6), 32 F. 2d 882; *Collis Co.* v. *Consolidated Machine Tool Corp.* (CCA-8), 41 F. 2d 641. In each of these cases the identical tool covered by the inventor's patent, or substantially the same tool, was manufactured during the period for which royalty was claimed. In the Collis case the identical tool was manufactured for 17 years and royalties were paid upon the device during all that period of time.

In the more recent case of *Kenyon* v. *Automatic Instrument Co.* (CCA-6), (1951), 186 F. 2d 752, the patent notice listed 14 patents, including that of the Plaintiff. The Court held that under the factual conditions established, although defendant could not deny the validity of the Kenyon patent, it was not estopped to deny that the instruments manufactured did not come within the scope of the patent. See discussion under paragraph 2, *infra.*

An analysis of these cases suggests that none of them are authority for any extension of the marking provisions of Title 35 of the United States Code. Rather, they suggest that the Courts were dealing with the ordinary doctrine of estoppel. It is generally held that where one party with knowledge or means of knowledge of his rights and of material facts does what amounts to a recognition of a transaction as existing, or acts in a manner inconsistent with its repudiation, or permits the other party to deal with the subject matter under belief that the transaction has been recognized, or abstains for a considerable length of time from impeaching it, so the other party is reasonably induced to suppose that it is recognized, there is acquiescence, and the transaction, though it be impeachable in the first instance, becomes unimpeachable under the doctrine of equitable estoppel. See, for example, *Harvey Radio Laboratories, Inc.* v. *U. S.*, 115 F. Supp. 444, 126 Ct. Cl. 294; cert. den. 346 U. S. 937, 74 S. Ct. 377, 98 L. Ed. 425.

COPY

In the case at bar the oral royalty agreement was entered into in the fall of 1940; the letters patent on Respondent's invention did not issue until October 28, 1941; Petitioner manufactured the Beckwith-Lieber tool under a "patent applied for" notice after the Respondent's patent issued and before the Beckwith-Lieber patent issued; Respondent knew that his patent infringed a prior patent issued to one Stull and that the tool being manufactured was not within the scope of his patent; Respondent's patent number was not placed on the tool until 1945 and then only in company with the Beckwith-Lieber patent number; this marking was erroneous or inadvertent and continued only until 1948 when Petitioners Officers first learned that it had been placed on the tool; and Respondent claimed no royalties until the commencement of his action. No equitable estoppel could arise under these circumstances.

The Wisconsin Supreme Court decision is thus left as the only authority for the proposition that marking alone is sufficient to invoke the doctrine of estoppel. This extension of the marking provisions of Title 35, U.S.C. §§ 287, 292 should not be permitted to stand unless this Court, after a review, is satisfied that such an extension is warranted. In addition, multiple patent applications to manufacturing processes and product development in the economy has become customary. Multiple listing of patent numbers on manufactured products is common. Error and inadvertence in listing such numbers is inescapable. This Court, it is respectfully submitted, should determine the extent of the liability, if any, of patent assignees and licensees who erroneously or inadvertently include patent numbers in the patent notice affixed to an article which is not within the scope of all of such patents. False marking is not involved as the statute (35 U.S.C. 287) carries its own penalty.

2. The Wisconsin Supreme Court has decided a federal question of substance, not heretofore determined by this

Court, which is in conflict with a decision of one of the United States Circuit Courts of Appeal.

In the case of *Kenyon* v. *Automatic Instrument Co., supra,* the patent notice recited that the device was manufactured and sold under one or more of 14 patents, the numbers of which were listed. Kenyon had licensed the defendant's predecessor and had received royalties for a number of years. Subsequently, manufacturing under the Kenyon patent was abandoned and entirely new devices were manufactured. However, the Kenyon patent number continued to be listed on the patent notice. The Court, observing that no royalties were paid thereafter, that Kenyon knew that the new machines did not embody his patent, and that he made no claim to royalties until he commenced his action, held that the inclusion of the Kenyon patent number was a meaningless patent notice and did not entitle Kenyon to the benefits of the doctrine of estoppel.

The similarity between the factual circumstances in the Kenyon case and the case at bar is significant. As has been indicated the oral patent royalty agreement here involved was entered into in 1940; Respondent knew that the Beckwith-Lieber tool did not embody his invention and that his invention could not be used because it infringed the Stull patent; he made no claim to royalties until he instituted this action on May 27, 1949; and no royalties were ever paid to him. The patent notice was, therefore, meaningless, Petitioner received no benefits therefrom, and should not now be estopped to deny that the invention was used, and that any "Johann" tools were ever manufactured and sold.

The decision in the Kenyon case was left unchallenged when this Court denied certiorari. 342 U. S. 820, 72 S. Ct. 37, 96 L. Ed. 620. It is, therefore, respectfully submitted that this Court should resolve the conflict between the Circuit Court of Appeals for the Sixth Circuit and the Wis-

consin Supreme Court, on a question which may substantially affect the interests and rights of assignors and assignees in the patent monopoly created upon issuance of letters patent under the laws of the United States.

Respectfully submitted,

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